

## Message Text

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EO 11652: GDS

TAGS: CI, PFOR, MASS

SUBJECT: POLICY IMPLICATIONS OF ARMS SUPPLY PROBLEMS

1. SUMMARY: SENIOR GOC OFFICIAL REPORTS INDIVIDUAL ARMED SERVICES ADVOCATING SIGNIFICANT POLICY SHIFTS AS DESPERATE MEASURES TO INSURE TERMS SUPPLY. ACTION: REQUEST DEPARTMENT EVALUATION. END SUMMARY

2. SENIOR GOC CIVILIAN OFFICIAL, WHO IS HIGHLY RESPONSIBLE AND RELIABLE SOURCE WITH ACCESS TO GENERAL PINOCHET AND OTHER JUNTA MEMBERS, HAS INFORMED DCM AS FOLLOWS:

3. CHILEAN ARMED SERVICES ARE DESPERATE IN THEIR SEARCH FOR ARMS SUPPLY. AS PART OF THEIR ASSESSMENT OF WORLD-WIDE DIFFICULTIES IN THIS AREA, THEY HAVE CONCLUDED THE UNITED STATES CANNOT BE RELIED UPON FOR ARMS ASSISTANCE.

4. FIRST READJUSTMENT TO ARMS PROBLEMS IS DECISION TO PROCURE EVERYTHING POSSIBLE THROUGH SPAIN. THIS WILL REQUIRE REVERSAL OF EARLIER GOC DECISION TO CANCEL CONTRACT FOR ASSEMBLY IN CHILE OF SPANISH "PEGASO" TRUCKS. THIS IS THE PRICE SPAIN WILL DEMAND FOR ARMS ASSISTANCE AND GOC WILL PAY IT. EVERY EFFORT ALSO WILL BE MADE TO MAKE ARMS PROCUREMENT THROUGH SOUTH KOREA AND SOUTH VIETNAM.

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5. HOWEVER, IT IS RECOGNIZED THESE EFFORTS WILL NOT SOLVE

PROBLEM, PARTICULARLY WITH REGARD TO ACQUISITION SOPHISTICATED WEAPONRY. AS RESULT, INDIVIDUAL SERVICES ARE PROPOSING RADICAL POLICY SHIFTS AS SOLUTIONS:

A) AIR FORCE WANTS TO "PLAY THE ARAB CARD." THIS WOULD MEAN ABANDONING ISRAEL AND GIVING FULL SUPPORT TO ARAB STATES IN INTERNATIONAL AFFAIRS.

B) NAVY OPPOSES THIS COURSE ON GROUNDS GOC REQUIRES U.S. FRIENDSHIP AND MUST SEEK PROTECT U.S. ABILITY BE HELPFUL AT FUTURE DATE. NAVY SEES GOC SWITCH OF THIS KIND AS HAVING VERY HARMFUL IMPACT IN U.S.

C) PRC HAS OFFERED SELL ARMS ON CREDIT, INCLUDING CHINESE EQUIVALENT OF U.S. TOW ANTI-TANK MISSILE. CHINESE MOTIVATION IS PRIMARILY TO FRUSTRATE SOVIETS AND TO LESSER EXTENT TO IMPROVE POSITION HERE. GROWING CHINESE IMPORTS, PRINCIPALLY OF COPPER AND NITRATES, HAVE ALREADY PLACED PRC AMONG CHILE'S TEN BEST CUSTOMERS. ARMY SUPPORTS ACTION ON PRC INITIATIVE AS MEANS BOTH OBTAIN ARMS AND SOW DISCORD IN COMMUNIST CAMP BY PLAYING OFF PRC AGAINST SOVIETS. MISSION TO PEKING TENTATIVELY SCHEDULED FOR MARCH 1975.

6. SOURCE, ALTHOUGH PERSONALLY SYMPATHETIC WITH ARAB RESURGENCE IN WORLD AFFAIRS, OPPOSES AIR FORCE OPTION OF SWITCHING TO FULL SUPPORT FOR ARAB STATES. HE IS APPALLED AT PROPOSAL TO PURCHASE WEAPONS FROM PRC ON GROUNDS INEVITABLE QUID PRO QUO WILL BE TO "OPEN CHILE TO PRC INFLUENCE."

7. COMMENT: WE KNOW OF COURSE FROM CONTACTS WITH GOC LEADERSHIP AND OTHER MILITARY FIGURES THAT ARMED SERVICES ARE INDEED DESPERATE FOR SOURCES OF ARMS SUPPLY AS RESULT THEIR ASSESSMENT OF PERUVIAN THREAT AND THEIR INABILITY OBTAIN ARMS FROM TRADITIONAL U.S. AND EUROPEAN SUPPLIERS.

8. WE RECOGNIZE POSSIBILITY THAT SOURCE IS SIMPLY PRESSURING US ON ARMS SUPPLY. HOWEVER, THIS IS NOT AT ALL HIS STYLE AND WE BELIEVE HIS CONCERN GENUINE.

9. WE HAVE REPORTED PREVIOUSLY OUR VIEW THAT APPOINTMENT OF  
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COL. PEDRO EWING, FORMER MINISTER-SECRETARY GENERAL OF GOVERNMENT, AS MILITARY ATTACHE TO SPAIN PROBABLY DERIVED FROM INTENTION CONCENTRATE EUROPEAN ARMS ACQUISITION EFFORTS IN SPAIN.

10. MORE CONSERVATIVE POSITION OF CHILEAN NAVY IN THIS DIALOGUE IS CONSISTENT BOTH WITH TRADITIONAL CHILEAN NAVY THINKING AND FACT THAT NAVY IS RELATIVELY BETTER-OFF IN EQUIPMENT TERMS

THAN THE OTHER TWO SERVICES.

11. WHILE WE DO NOT UNDERSTAND MECHANICS BY WHICH FULL GOC SUPPORT FOR ARAB STATES WOULD PRODUCE ARMS, SUCH A SHIFT MAY BE VIEWED BY SOME IN GOC AS OFFERING BENEFITS BEYOND ARMS SUPPLY, IMPORTANT AS THAT IS:

A) GOC HAS BEEN HARD HIT BY TREMENDOUS INCREASE IN COST OF OIL IMPORTS.

B) GOC IS FACING ENORMOUS BALANCE OF PAYMENTS PROBLEM IN 1975 AND BEYOND AND MUST INCREASE CAPITAL FLOWS TO DEAL WITH PROBLEM OVER LONGER TERM.

C) SINKING INTERNATIONAL PRICE OF COPPER IS MAJOR CAUSE OF BALANCE OF PAYMENTS PROBLEM. CIPEC AND OTHER EFFORTS TO RAISE PRICE OF COPPER EXPORTS ARE A TOP GOC PRIORITY. SOME IN ARMED SERVICES MAY SEE ARAB STATES AS OFFERING POTENTIAL SOLUTIONS TO ALL THESE RELATED ECONOMIC PROBLEMS: AS OIL PRODUCERS, ARAB STATES COULD OFFER BETTER IMPORT PRICES. AS THE WEALTHY BENEFICIARIES OF FABULOUS OIL REVENUES, ARAB STATES COULD OFFER CAPITAL FOR BOTH EQUITY INVESTMENT AND LENDING TO EASE BOP SITUATION AND COULD PROVIDE FINANCING TO HOLD COPPER OFF MARKET TO BOOST PRICE.

12. UNLIKELY AS IT MAY SEEM THAT THE PRESENT GOC WOULD ENTERTAIN AN ARMS OFFER FROM THE PRC, GIVEN ITS ANTI-MARXISM IMPORTANCE, IT IS NOT INCREDIBLE:

A) CHILEAN ARMED SERVICES HAVE TOLD US AD NAUSEAM HOW THEY WITHSTOOD ENORMOUS ALLENDE PRESSURES TO ACCEPT ARMS SUPPLY FROM SOVIETS ON HIGHLY FAVORABLE TERMS. THEIR EXPERIENCE HAS BEEN THAT THIS EFFORT WAS DOUBLY VAIN: THEY NOW SEE PERU,

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THEIR PRINCIPAL EXTERNAL SECURITY THREAT, AS SOVIET CAT'S-PAW, OUTGUNNING THEM WITH SOVIET WEAPONS WHICH THEY THEMSELVES REFUSED, WHILE TRADITIONAL FREE WORLD FRIENDS AND ALLIES REFUSE THEM ARMS.

B) CHILEAN MILITARY GENUINELY HOLD A MESSIANIC VIEW OF THEIR ROLE IN WITHSTANDING, VIRTUALLY ALONE, MASSIVE COMMUNIST ONSLAUGHT ON FREE WORLD PEOPLES AND INSTITUTIONS. IN THEIR VIEW, HOPES OF DETENTE ARE SIMPLY ILLUSIONS WHICH BLIND OTHERS TO COMMUNIST MENACE. NOTING OF SOWING ADDITIONAL DISCORD IN COMMUNIST CAMP BY PLAYING OFF CHINA IN CHILE AGAINST SOVIETS IN PERU WOULD HAVE REAL ATTRACTION FOR THEM.

C) ABOVE ALL, THEY DESPERATELY WANT AND NEED ARMS.

13. THE POSSIBILITY OF SOVIET-PRC COMPETITION IN ARMS SUPPLY  
TO POTENTIAL COMBATANTS IN SOUTH AMERICA IS ONE WE HAD NOT  
PREVIOUSLY ENTERTAINED. WHILE IT MAY SEEM A REMOTE POSSIBILITY  
AT PRESENT, IT IS IN OUR VIEW A SUFFICIENTLY SOBERING  
PROSPECT TO WARRANT SOME CONSIDERATION. REQUEST DEPARTMENT ASSESS  
LIKELIHOOD OF SERIOUS AND SUBSTANTIAL PRC ARMS OFFER TO CHILE  
AND ADVISE.  
POPPER

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